

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## **Bay Area Gold Group Limited**

**灣區黃金集團有限公司**

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 1194)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the year was approximately HK\$1,453,472,000, representing an increase of approximately 39.75% over last year.
- Gross profit for the year was approximately HK\$250,980,000, representing an increase of approximately 46.48% over last year.
- Loss attributable to owners of the Company was approximately HK\$2,907,475,000, representing an increase of approximately 361% over last year.
- Loss per share amounted to HK\$9.79.

The board (the “**Board**”) of directors (the “**Directors**”) of Bay Area Gold Group Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the previous year as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the year ended 31 December 2020*

(Expressed in Hong Kong dollars)

|   | <i>Notes</i> | <b>2020</b><br><b><i>HK\$'000</i></b> | <b>2019</b><br><b><i>HK\$'000</i></b> |
|---|--------------|---------------------------------------|---------------------------------------|
| <b>Revenue</b>  | <i>4(a)</i>  | <b>1,453,472</b>                      | 1,040,044                             |
| Cost of sales   |              | <b>(1,202,492)</b>                    | (868,701)                             |
| <b>Gross profit</b>   |              | <b>250,980</b>                        | 171,343                               |
| Other income and gains  | <i>5</i>     | <b>7,062</b>                          | 5,234                                 |
| Administrative expenses   |              | <b>(119,346)</b>                      | (183,162)                             |
| Selling and distribution costs                                      |              | <b>(20,861)</b>                       | (10,537)                              |
| Impairment loss on goodwill   |              | <b>(7,225)</b>                        | (273,893)                             |
| Impairment loss on mining rights                                    |              | <b>(1,334,671)</b>                    | –                                     |
| Impairment loss on fixed assets                                     |              | <b>(933,770)</b>                      | –                                     |
| Impairment loss on deposits paid for gold mining rights             |              | <b>(146,469)</b>                      | –                                     |
| Impairment loss on trade, loans and other receivables               |              | <b>(169,227)</b>                      | –                                     |
| Impairment loss on deposits paid for acquisition<br>of fixed assets |              | <b>(62,948)</b>                       | –                                     |
| Write-off of fixed assets   |              | <b>(30,728)</b>                       | –                                     |
| <b>Loss from operations</b>   |              | <b>(2,567,203)</b>                    | (291,015)                             |
| Finance costs   | <i>6(a)</i>  | <b>(336,720)</b>                      | (366,355)                             |
| Share of profit of an associate                                     |              | <b>2,011</b>                          | 1,944                                 |
| <b>Loss before tax</b>  | <i>6</i>     | <b>(2,901,912)</b>                    | (655,426)                             |
| Income tax (expense)/credit   | <i>7</i>     | <b>(5,563)</b>                        | 24,094                                |
| <b>Loss for the year attributable to owners<br/>of the Company</b>  |              | <b>(2,907,475)</b>                    | (631,332)                             |
|   |              | <b><i>HK\$</i></b>                    | <b><i>HK\$</i></b><br>(restated)      |
| <b>Loss per share</b>   | <i>9</i>     |                                       |                                       |
| Basic   |              | <b>(9.79)</b>                         | (2.16)                                |
| Diluted   |              | <b>N/A</b>                            | N/A                                   |

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in Hong Kong dollars)

|  | <i>Notes</i> | <b>2020</b><br><b>HK\$'000</b>   | 2019<br><i>HK\$'000</i> |
|--|--------------|----------------------------------|-------------------------|
| <b>Loss for the year</b>   |              | <u><b>(2,907,475)</b></u>        | <u>(631,332)</u>        |
| <b>Other comprehensive income/(expense) for the year</b>   |              |                                  |                         |
| <i>Item that may be reclassified subsequently to profit or loss:</i>   |              |                                  |                         |
| Exchange differences on translation of foreign operations  |              | <b>258,648</b>                   | (91,648)                |
| <i>Item that will not be reclassified to profit or loss:</i>   |              |                                  |                         |
| Fair value gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI"), net of tax |              | <u><b>18,370</b></u>             | <u>18,267</u>           |
|  |              | <u><b>277,018</b></u>            | <u>(73,381)</u>         |
| <b>Total comprehensive expense for the year attributable to owners of the Company</b>  |              | <u><u><b>(2,630,457)</b></u></u> | <u><u>(704,713)</u></u> |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(Expressed in Hong Kong dollars)

|   | Notes | 2020<br>HK\$'000 | 2019<br>HK\$'000  |
|---|-------|------------------|-------------------|
| <b>Non-current assets</b>   |       |                  |                   |
| Intangible assets   |       | 4,551,032        | 5,860,716         |
| Fixed assets  |       | 4,387,667        | 5,032,015         |
| Right-of-use assets   |       | 35,266           | 39,731            |
| Deposits paid for gold mining rights<br>and exploration rights                        |       | –                | 142,088           |
| Investment in an associate  |       | 15,067           | 12,241            |
| Investments in equity instruments<br>at fair value through other comprehensive income |       | 329,183          | 293,964           |
| Trade, loans and other receivables,<br>deposits and prepayments                       | 10    | –                | 111,880           |
| Pledged deposits  |       | –                | 44,752            |
| Deposits paid for acquisition of fixed assets   |       | 55,971           | 87,853            |
| Other deposits  |       | 1,056            | 1,006             |
| <b>Total non-current assets</b>   |       | <b>9,375,242</b> | <b>11,626,246</b> |
| <b>Current assets</b>   |       |                  |                   |
| Inventories   |       | 231,753          | 137,688           |
| Trade, loans and other receivables,<br>deposits and prepayments                       | 10    | 267,210          | 259,720           |
| Financial assets at fair value through profit or loss                                 |       | 43,949           | –                 |
| Pledged deposits  |       | 77,207           | 61,534            |
| Client trust bank balances  |       | 2,916            | 2,355             |
| Cash and bank balances  |       | 89,048           | 68,473            |
| <b>Total current assets</b>   |       | <b>712,083</b>   | <b>529,770</b>    |
| <b>Current liabilities</b>  |       |                  |                   |
| Trade and other payables  | 11    | 1,491,895        | 945,586           |
| Contract liabilities  |       | 46,950           | 38,698            |
| Bank and other borrowings   |       | 1,276,968        | 2,063,686         |
| Derivative financial instruments  | 12    | 26,612           | –                 |
| Convertible bonds   | 12    | 289,982          | –                 |
| Lease liabilities   |       | 1,556            | 4,166             |
| Income tax payable  |       | 12,967           | 4,654             |
| <b>Total current liabilities</b>  |       | <b>3,146,930</b> | <b>3,056,790</b>  |

|   | <i>Notes</i> | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|---|--------------|-------------------------|-------------------------|
| <b>Net current liabilities</b>                          |              | <u>(2,434,847)</u>      | <u>(2,527,020)</u>      |
| <b>Total assets less current liabilities</b>            |              | <u>6,940,395</u>        | <u>9,099,226</u>        |
| <b>Non-current liabilities</b>                          |              |                         |                         |
| Bank and other borrowings                               |              | 1,947,327               | 1,177,603               |
| Derivative financial instruments                        | <i>12</i>    | –                       | 55,802                  |
| Convertible bonds                                       | <i>12</i>    | –                       | 272,391                 |
| Lease liabilities                                       |              | 813                     | 3,570                   |
| Deferred tax liabilities                                |              | <u>590,840</u>          | <u>558,576</u>          |
| <b>Total non-current liabilities</b>                    |              | <u>2,538,980</u>        | <u>2,067,942</u>        |
| <b>NET ASSETS</b>                                       |              | <u><u>4,401,415</u></u> | <u><u>7,031,284</u></u> |
| <b>CAPITAL AND RESERVES</b>                             |              |                         |                         |
| Share capital   | <i>13</i>    | 297                     | 5,936                   |
| Reserves  |              | <u>4,401,118</u>        | <u>7,025,348</u>        |
| <b>EQUITY ATTRIBUTABLE<br/>TO OWNERS OF THE COMPANY</b> |              | <u><u>4,401,415</u></u> | <u><u>7,031,284</u></u> |

## NOTES TO THE ANNUAL RESULTS ANNOUNCEMENT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 1. GENERAL INFORMATION

Bay Area Gold Group Limited (the “Company”) was incorporated in the Cayman Islands and continued in Bermuda with limited liability. The address of its registered office and principal place of business are disclosed in the corporate information section of the annual report. The Company and its subsidiaries (collectively the “Group”) are principally engaged in mining and processing of gold ores and sale of gold products in The People’s Republic of China (the “PRC”), trading of metals and minerals in the PRC, and provision of financial services business in Hong Kong and the PRC, including asset management, securities brokerage, financing and advisory services.

### 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material, if such information is reasonably expected to influence decisions made by primary users. The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) and the Hong Kong Companies Ordinance.

The HKICPA has issued the Amendments to References to the Conceptual Framework in HKFRS Standards and certain amendments to HKFRSs issued by the HKICPA, which are mandatorily effective for the current year. Note 3 to the annual results announcement provides information on any significant changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting years reflected in the consolidated financial statements.

In preparing the consolidated financial statements, the directors of the Company have considered the future liquidity of the Group. The Group incurred a loss attributable to owners of the Company of approximately HK\$2,907,475,000 and HK\$631,332,000 for the years ended 31 December 2020 and 2019 respectively, and the Group had net current liabilities of approximately HK\$2,434,847,000 as at 31 December 2020. These conditions indicate the existence of a material uncertainty which may cast a significant doubt on the Group’s ability to continue as a going concern. Nevertheless, the directors of the Company are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

- (i) The directors of the Company are considering various alternatives, including but not limited to disposal of equity interest of group entities engaging in mining operations or pledge of the Group’s mining rights and/or mining structures, to obtain additional finances to support the Group’s working capital needs.
- (ii) A substantial shareholder of the Company, Mr. Liu Shiwei, has agreed to provide continuing financial support as necessary to enable the Group to meet its liabilities as and when they fall due in the foreseeable future.

- (iii) Based on the past records, the directors of the Company are confident that substantially all of the Group's borrowings, including bank and other borrowings and convertible bonds, that are due for repayments within twelve months after 31 December 2020, will be renewed upon maturity with the existing terms and conditions and no repayments of these borrowings will be demanded by the contracting parties within twelve months ending 31 December 2021. With reference to the Group's cash flows forecast prepared by the management for the twelve months ending 31 December 2021, the directors believe that the Group will be able to generate adequate cash flows from its continuing operations and to obtain sufficient fundings to meet the debts of the Group as and when they fall due in the foreseeable future.

Accordingly, the directors of the Company are of the opinion that it is appropriate for the preparation of the consolidated financial statements for the year ended 31 December 2020 on a going concern basis. The consolidated financial statements have not reflected any effects of adjustments if the Group was unable to continue to operate as a going concern.

### **3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

#### **Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

|   |                                |
|---|--------------------------------|
| Amendments to HKAS 1 and HKAS 8               | Definition of Material         |
| Amendments to HKFRS 3                         | Definition of a Business       |
| Amendments to HKFRS 9,<br>HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### **Impacts on application of Amendments to HKFRS 3 Definition of a Business**

The Group has applied the amendments for the first time in the current year. The amendments clarify that while business usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processed and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

## **New and amendments to HKFRSs issued but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

|  |   |
|--|---|
| HKFRS 17   | Insurance Contracts and the related Amendments <sup>1</sup>   |
| Amendment to HKFRS 16  | Covid-19-Related Rent Concessions <sup>4</sup>  |
| Amendments to HKFRS 3  | Reference to the Conceptual Framework <sup>2</sup>  |
| Amendments to HKFRS 9, HKAS 39,<br>HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>   |
| Amendments to HKFRS 10<br>and HKAS 28                            | Sale or Contribution of Assets between an Investor<br>and its Associate or Joint Venture <sup>3</sup>                               |
| Amendments to HKAS 1   | Classification of Liabilities as Current or Non-current and<br>related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup> |
| Amendments to HKAS 16  | Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>   |
| Amendments to HKAS 37  | Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>  |
| Amendments to HKFRSs   | Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of these new and amendments to HKFRSs, which are not yet effective, will have no material impact on the consolidated financial statements in the foreseeable future.



#### 4. REVENUE AND SEGMENT INFORMATION

##### (a) Revenue

Revenue represents (i) sales value of gold products and other by-products to customers (net of value added tax, returns and discounts) under the Gold Mining Operation (as defined below); (ii) sales value of metals and minerals sold to customers (net of value added tax, returns and discounts) under the Trading of Metals and Minerals (as defined below); and (iii) management and performance fees, securities commission and brokerage fee and interest income recognised under the Financial Services Operation (as defined below). The revenue for the year is analysed as follows:

|  | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Revenue from contracts with customers arising from Gold Mining Operation</b>          |                         |                         |
| Sale of  |                         |                         |
| – Gold products  | 990,972                 | 671,266                 |
| – Other by-products  | <u>42,091</u>           | <u>71,007</u>           |
|  | <b>1,033,063</b>        | 742,273                 |
| <b>Revenue from contracts with customers arising from Trading of Metals and Minerals</b> |                         |                         |
| – Sale of metals and minerals  | <b>419,309</b>          | 289,723                 |
| <b>Revenue from contracts with customers arising from Financial Services Operation</b>   |                         |                         |
| – Income from management services and brokerage services rendered                        | <u>1,100</u>            | <u>8,048</u>            |
| <b>Total revenue from contracts with customers</b>                                       | <b><u>1,453,472</u></b> | <b><u>1,040,044</u></b> |
| Timing of revenue recognition  |                         |                         |
| At point in time   | <b>1,452,372</b>        | 1,031,996               |
| Over time  | <u>1,100</u>            | <u>8,048</u>            |
|  | <b><u>1,453,472</u></b> | <b><u>1,040,044</u></b> |

### ***Performance obligation***

Information about the Group's performance obligations is summarised below:

#### *Sales of gold products and other by-products*

The performance obligation is satisfied upon delivery of goods.

#### *Sales of metals and minerals*

The performance obligation is satisfied upon delivery of goods.

#### *Management services*

The performance obligation is satisfied upon services are rendered.

#### *Brokerage services*

The performance obligation is satisfied upon services are rendered.

### **(b) Segment Information**

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (i) mining and processing of gold ores and sales of gold products and other by-products (the "Gold Mining Operation");
- (ii) purchase and sales of metals and minerals (the "Trading of Metals and Minerals"); and
- (iii) provision of financial services including asset management, securities brokerage, financing and advisory services (the "Financial Services Operation").

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that interest income and finance costs are excluded from such measurement.

All assets are allocated to reporting operating segments.

Segment liabilities exclude bank and other borrowings, convertible bonds and their related derivative financial instruments and other unallocated corporate liabilities as these liabilities are managed on a group basis.

More than 90% of the Group's revenue was derived from activities in the PRC and its principal assets were located in the PRC during the reporting period. Accordingly, no analysis by geographical information is provided.

The following is an analysis of the Group's revenue and results by reportable segments:

|  | For the year ended 31 December 2020 |  |  |                                       |                          | For the year ended 31 December 2019 |  |  |                                       |                          |
|--|-------------------------------------|--|--|---------------------------------------|--------------------------|-------------------------------------|--|--|---------------------------------------|--------------------------|
|  | Gold Mining Operation<br>HK\$'000   | Trading of Metals and Minerals<br>HK\$'000 | Financial Services Operation<br>HK\$'000 | Inter-segment elimination<br>HK\$'000 | Consolidated<br>HK\$'000 | Gold Mining Operation<br>HK\$'000   | Trading of Metals and Minerals<br>HK\$'000 | Financial Services Operation<br>HK\$'000 | Inter-segment elimination<br>HK\$'000 | Consolidated<br>HK\$'000 |
| <b>Segment revenue</b>   |                                     |  |  |                                       |                          |                                     |  |  |                                       |                          |
| - External sales   | 1,033,063                           | 419,309                                    | 1,100                                    | -                                     | 1,453,472                | 742,273                             | 289,723                                    | 8,048                                    | -                                     | 1,040,044                |
| - Inter-segment sales  | -                                   | -  | -  | -                                     | -                        | 3,359                               | -  | -  | (3,359)                               | -                        |
|  | <u>1,033,063</u>                    | <u>419,309</u>                             | <u>1,100</u>                             | <u>-</u>                              | <u>1,453,472</u>         | <u>745,632</u>                      | <u>289,723</u>                             | <u>8,048</u>                             | <u>(3,359)</u>                        | <u>1,040,044</u>         |
| <b>Segment (loss)/profit</b>                                     | <u>(2,403,497)</u>                  | <u>426</u>                                 | <u>(163,286)</u>                         |                                       | <u>(2,566,357)</u>       | <u>5,672</u>                        | <u>1,882</u>                               | <u>(297,968)</u>                         |                                       | <u>(290,414)</u>         |
| Reconciliation:  |                                     |  |  |                                       |                          |                                     |  |  |                                       |                          |
| Interest income  |                                     |  |  |                                       | 1,165                    |                                     |  |  |                                       | 1,343                    |
| Finance costs  |                                     |  |  |                                       | (336,720)                |                                     |  |  |                                       | (366,355)                |
| <b>Loss before tax</b>   |                                     |  |  |                                       | <u>(2,901,912)</u>       |                                     |  |  |                                       | <u>(655,426)</u>         |
| <b>Other segment information</b>                                 |                                     |  |  |                                       |                          |                                     |  |  |                                       |                          |
| Capital expenditure  | 173,166                             | -  | -  | -                                     | 173,166                  | 185,420                             | -  | -  | -                                     | 185,420                  |
| Depreciation and amortisation                                    | 253,575                             | -  | 42                                       | -                                     | 253,617                  | 195,454                             | -  | 399                                      | -                                     | 195,853                  |
| Impairment loss on goodwill                                      | -                                   | -  | 7,225                                    | -                                     | 7,225                    | -                                   | -  | 273,893                                  | -                                     | 273,893                  |
| Impairment loss on mining rights                                 | 1,334,671                           | -  | -  | -                                     | 1,334,671                | -                                   | -  | -  | -                                     | -                        |
| Impairment loss on fixed assets                                  | 933,770                             | -  | -  | -                                     | 933,770                  | -                                   | -  | -  | -                                     | -                        |
| Impairment loss on deposits paid for gold mining rights          | 146,469                             | -  | -  | -                                     | 146,469                  | -                                   | -  | -  | -                                     | -                        |
| Impairment loss on trade, loans and other receivables            | 26,407                              | -  | 142,820                                  | -                                     | 169,227                  | -                                   | -  | -  | -                                     | -                        |
| Impairment loss on deposits paid for acquisition of fixed assets | 62,948                              | -  | -  | -                                     | 62,948                   | -                                   | -  | -  | -                                     | -                        |
| Write-off of fixed assets  | 30,728                              | -  | -  | -                                     | 30,728                   | -                                   | -  | -  | -                                     | -                        |
| Share of profit of an associate                                  | -                                   | -  | 2,011                                    | -                                     | 2,011                    | -                                   | -  | 1,944                                    | -                                     | 1,944                    |

The following is an analysis of the Group's assets and liabilities by reportable segments:

|   | At 31 December 2020                            |   |   |                          | At 31 December 2019                            |   |   |                          |
|---|--|---|---|--------------------------|--|---|---|--------------------------|
|   | Gold<br>Mining<br>Operation<br><i>HK\$'000</i> | Trading of<br>Metals and<br>Minerals<br><i>HK\$'000</i> | Financial<br>Services<br>Operation<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> | Gold<br>Mining<br>Operation<br><i>HK\$'000</i> | Trading of<br>Metals and<br>Minerals<br><i>HK\$'000</i> | Financial<br>Services<br>Operation<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Segment assets and<br>total assets                                | <u>9,722,562</u>                               | <u>-</u>  | <u>364,762</u>  | <u>10,087,324</u>        | <u>11,672,411</u>                              | <u>-</u>  | <u>483,605</u>  | <u>12,156,016</u>        |
| Segment liabilities   | <u>2,102,060</u>                               | <u>-</u>  | <u>42,961</u>   | <u>2,145,021</u>         | <u>1,460,001</u>                               | <u>-</u>  | <u>95,249</u>   | <u>1,555,250</u>         |
| Reconciliation:<br>Corporate and other<br>unallocated liabilities |  |   |   | <u>3,540,888</u>         |  |   |   | <u>3,569,482</u>         |
| Total liabilities   |  |   |   | <u>5,685,909</u>         |  |   |   | <u>5,124,732</u>         |

Revenues from customers contributing 10% or more of the total revenue of the Group are as follows:

|                         | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|-------------------------|-------------------------|-------------------------|
| Customer A – Note (i)   | <b>254,713</b>          | 109,798                 |
| Customer B – Note (ii)  | <b>223,804</b>          | 161,780                 |
| Customer C – Note (ii)  | <b>206,921</b>          | 106,359                 |
| Customer D – Note (iii) | N/A*                    | 217,798                 |
| Customer E – Note (iv)  | <u>N/A*</u>             | <u>129,115</u>          |

\* The transactions with these respective customers did not contribute 10% or more of total revenue of the Group for the year ended 31 December 2020.

*Notes:*

- (i) Revenue from Trading of Metals and Minerals for the years ended 31 December 2020 and 2019.
- (ii) Revenue from Gold Mining Operation for the years ended 31 December 2020 and 2019.
- (iii) Revenue from Gold Mining Operation and Trading of Metals and Minerals for the year ended 31 December 2019.
- (iv) Revenue from Gold Mining Operation for the year ended 31 December 2019.

**5. OTHER INCOME AND GAINS**

|                                  | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|----------------------------------|--------------------------------|-------------------------|
| <b>Other income</b>              |                                |                         |
| Bank interest income             | <b>1,165</b>                   | 1,343                   |
| Government subsidies             | <b>909</b>                     | –                       |
| Recovery of bad debts            | <b>229</b>                     | –                       |
| Waiver of other payables         | <b>1,890</b>                   | –                       |
| Sundry income                    | <b>2,162</b>                   | 1,948                   |
|                                  | <hr/> <b>6,355</b>             | <hr/> 3,291             |
| <b>Other gains</b>               |                                |                         |
| Exchange gain, net               | <b>1,081</b>                   | 1,560                   |
| Gain on termination of lease     | <b>55</b>                      | 509                     |
| Loss on disposal of fixed assets | <b>(429)</b>                   | (126)                   |
|                                  | <hr/> <b>707</b>               | <hr/> 1,943             |
| Other income and gains           | <hr/> <b>7,062</b>             | <hr/> 5,234             |

## 6. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting) the following items:

|  | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>(a) Finance costs:</b>  |                         |                         |
| Interest on bank and other borrowings                                  | 321,673                 | 323,408                 |
| Interest on convertible bonds ( <i>note 12</i> )                       | <u>46,127</u>           | <u>32,468</u>           |
| Total interest expenses on financial liabilities                       | 367,800                 | 355,876                 |
| Less: Interest capitalised into construction in progress               | <u>(2,210)</u>          | <u>(2,193)</u>          |
|  | 365,590                 | 353,683                 |
| Interest on lease liabilities  | 220                     | 1,502                   |
| Fair value gain on derivative financial instruments ( <i>note 12</i> ) | (29,090)                | (67,478)                |
| Loss on the 2021 Convertible Bonds Restructure ( <i>note 12(i)</i> )   | <u>–</u>                | <u>78,648</u>           |
|  | <u><b>336,720</b></u>   | <u><b>366,355</b></u>   |
|  | 2020                    | 2019                    |
|  | <i>HK\$'000</i>         | <i>HK\$'000</i>         |
| <b>(b) Staff costs (including directors' remuneration)</b>             |                         |                         |
| Salaries, wages and other benefits                                     | 63,957                  | 70,280                  |
| Contributions to retirement benefit schemes                            | <u>2,909</u>            | <u>8,840</u>            |
|  | <u><b>66,866</b></u>    | <u><b>79,120</b></u>    |

|  | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>(c) Other items</b>   |                         |                         |
| Cost of inventories sold under the Gold Mining Operation ( <i>note below</i> ) | <b>783,609</b>          | 584,220                 |
| Cost of inventories sold under the Trading of Metals and Minerals              | <b>418,883</b>          | 284,481                 |
|  | <hr/>                   | <hr/>                   |
| Total cost of sales  | <b>1,202,492</b>        | 868,701                 |
| Amortisation of intangible assets  | <b>120,357</b>          | 96,843                  |
| Auditor's remuneration   |                         |                         |
| – audit service  | <b>2,900</b>            | 2,780                   |
| – non-audit service  | <b>590</b>              | 560                     |
| Depreciation and amortisation of fixed assets                                  | <b>129,188</b>          | 89,967                  |
| Depreciation of right-of-use assets  | <b>4,072</b>            | 9,043                   |
| Lease payments for short term leases   | <b>9,680</b>            | 5,790                   |
|  | <hr/> <hr/>             | <hr/> <hr/>             |

*Note:* Cost of inventories sold under the Gold Mining Operation includes HK\$276,350,000 (2019: HK\$212,919,000) relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

## 7. INCOME TAX (EXPENSE)/CREDIT

|                                       | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Current tax                           |                         |                         |
| – PRC Enterprise Income Tax           | <u>(8,462)</u>          | <u>–</u>                |
| (Under)/over-provision in prior years |                         |                         |
| – PRC Enterprise Income Tax           | <u>(613)</u>            | <u>12,656</u>           |
|                                       | <b>(9,075)</b>          | 12,656                  |
| Deferred tax credit                   | <u>3,512</u>            | <u>11,438</u>           |
| Income tax (expense)/credit           | <u><b>(5,563)</b></u>   | <u><b>24,094</b></u>    |

### Notes:

- (a) The provision for PRC Enterprise Income Tax is calculated on the assessable profit of the Group's subsidiaries incorporated in the PRC at 25% (2019: 25%).
- (b) No provision for Hong Kong profits tax has been made for the years ended 31 December 2020 and 2019 as the Group did not have any assessable profit for both years subject to Hong Kong profits tax.
- (c) Pursuant to the rules and regulations of Bermuda, the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is exempted from any income tax in Bermuda, the Cayman Islands and the BVI.

## 8. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the years ended 31 December 2020 and 2019.

## 9. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$2,907,475,000 (2019: HK\$631,332,000) and on the weighted average of approximately 297,083,000 (2019: 292,745,000) ordinary shares in issue during the year.

The weighted average of 297,083,000 ordinary shares used for the calculation of the basic loss per share for the year ended 31 December 2019 has been adjusted to take into account the effect of the share consolidation of twenty ordinary shares of the Company into one new share implemented by the Group with effect on 10 August 2020. The comparative basic loss per share for the year ended 31 December 2019 has been restated accordingly.



**(b) Diluted loss per share**

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share for the years ended 31 December 2020 and 2019.

No diluted loss per share is presented as there were no potential ordinary shares in issue for 2020 and 2019 except for the share options granted.

**10. TRADE, LOANS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

|  | <i>Notes</i>      | <b>2020</b><br><b>HK\$'000</b> | 2019<br><i>HK\$'000</i> |
|--|-------------------|--------------------------------|-------------------------|
| Trade and loans receivables                      | <i>(a) to (c)</i> | <b>163,095</b>                 | 155,835                 |
| Other receivables                                |                   | <b>169,708</b>                 | 119,598                 |
|  |                   | <hr/>                          | <hr/>                   |
| Trade, loans and other receivables, gross amount |                   | <b>332,803</b>                 | 275,433                 |
| Less: Impairment losses recognised               |                   | <b>(174,289)</b>               | –                       |
|  |                   | <hr/>                          | <hr/>                   |
| Trade, loans and other receivables, net          |                   | <b>158,514</b>                 | 275,433                 |
| Deposits and prepayments                         |                   | <b>108,696</b>                 | 96,167                  |
|  |                   | <hr/>                          | <hr/>                   |
|  |                   | <b>267,210</b>                 | 371,600                 |
|  |                   | <hr/> <hr/>                    | <hr/> <hr/>             |
| Analysed for reporting as:                       |                   |                                |                         |
| Non-current portion                              |                   | –                              | 111,880                 |
| Current portion                                  |                   | <b>267,210</b>                 | 259,720                 |
|  |                   | <hr/>                          | <hr/>                   |
|  |                   | <b>267,210</b>                 | 371,600                 |
|  |                   | <hr/> <hr/>                    | <hr/> <hr/>             |

As at 31 December 2020 and 31 December 2019, all of the trade, loans and other receivables, deposits and prepayments are expected to be recovered or recognised as expenses within one year, except for the non-current portion.

Movements on impairment losses recognised:

|  | <b>2020</b><br><b>HK\$'000</b> | 2019<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| At 1 January                                 | –                              | –                       |
| Impairment losses recognised for the year on |                                |                         |
| – Trade and loans receivables                |                                |                         |
| Gold Mining Operation                        | <b>1,205</b>                   | –                       |
| Financial Services Operation                 | <b>118,780</b>                 | –                       |
| – Other receivables                          |                                |                         |
| Gold Mining Operation                        | <b>25,992</b>                  | –                       |
| Financial Services Operation                 | <b>28,312</b>                  | –                       |
|  | <hr/>                          | <hr/>                   |
| At 31 December                               | <b>174,289</b>                 | –                       |
|  | <hr/> <hr/>                    | <hr/> <hr/>             |

(a) Trade and loans receivables

|  | <b>2020</b>             | 2019            |
|--|-------------------------|-----------------|
| <i>Notes</i>   | <b><i>HK\$'000</i></b>  | <i>HK\$'000</i> |
| Trade and loans receivables under the Gold Mining Operation,<br>gross amount | <b>43,864</b>           | 35,754          |
| Less: impairment losses recognised   | <u><b>(1,205)</b></u>   | <u>–</u>        |
| <i>(b)</i>   | <u><b>42,659</b></u>    | <u>35,754</u>   |
| Trade and loans receivables under the Financial<br>Services Operation        | <b>119,231</b>          | 120,081         |
| Less: impairment losses recognised   | <u><b>(118,780)</b></u> | <u>–</u>        |
| <i>(c)</i>   | <u><b>451</b></u>       | <u>120,081</u>  |
| Trade and loans receivables, net   | <u><b>43,110</b></u>    | <u>155,835</u>  |

(b) Trade receivables under the Gold Mining Operation

The aged analysis of the trade receivables under the Gold Mining Operation (net of impairment losses) based on invoice date at end of the reporting period is as follows:

|  | <b>2020</b>            | 2019            |
|--|------------------------|-----------------|
|  | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| Less than two months                           | <b>34,346</b>          | 628             |
| More than two months but less than four months | <b>526</b>             | 9,450           |
| More than four months but less than six months | –                      | 4,622           |
| More than six months but less than one year    | <b>2,353</b>           | 18,119          |
| More than one year                             | <u><b>5,434</b></u>    | <u>2,935</u>    |
|  | <u><b>42,659</b></u>   | <u>35,754</u>   |

The Group generally requires the customers to make payment on the date of delivery of products or within 7 days after delivery of products. Credit term within several months which is determined by per-transaction basis with reference to the product is granted to the customers with high credibility.

(c) Trade and loans receivables under the Financial Services Operation

|   | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade receivables from securities brokerage business:                                   |                         |                         |
| – Cash clients ( <i>note (i)</i> )  | 44                      | –                       |
| – Hong Kong Securities Clearing Company Limited (“HKSCC”), net ( <i>note (i)</i> )      | 258                     | –                       |
| – Accounts receivable arising from other services ( <i>note (ii)</i> )                  | 149                     | –                       |
|   | <u>451</u>              | <u>–</u>                |
| Trade and loan receivables from other financial services business ( <i>note (iii)</i> ) | <u>–</u>                | <u>120,081</u>          |
|   | <u><b>451</b></u>       | <u><b>120,081</b></u>   |

*Notes:*

(i) The settlement terms of the receivables arising from cash clients and HKSCC are one or two trade days after the trade execution date. These receivables are not past due at the end of the reporting period.

(ii) Accounts receivable arising from the other services are receivable in accordance with the contract terms.

Aged analysis of receivables arising from securities brokerage business is not presented as management of the Company considered that the aged analysis does not give additional value in view of the nature of this business.

(iii) The credit terms on trade and loan receivables from the other financial services business under the Financial Services Operation are ranging from one year to three years. The aged analysis of these trade and loans receivables (net of allowance for doubtful debts) from other financial services business under the Financial Services Operation based on the age of these receivables since the effective dates of the relevant contracts at end of the reporting period is as follows:

|                    | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| Less than one year | –                       | 3,723                   |
| More than one year | <u>–</u>                | <u>116,358</u>          |
|                    | <u><b>–</b></u>         | <u><b>120,081</b></u>   |

## 11. TRADE AND OTHER PAYABLES, AND CONTRACT LIABILITIES

|   | <i>Notes</i> | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Trade payables  | (a) to (c)   | <b>193,694</b>                 | 129,566                 |
| Accrued charges and other payables                        |              | <b>1,123,109</b>               | 779,604                 |
| Financial liabilities measured at amortised cost          |              | <b>1,316,803</b>               | 909,170                 |
| Deposits received on disposal of subsidiaries             | (d)          | <b>17,633</b>                  | –                       |
| Deposits received on capital injection of a subsidiary    | (e)          | <b>118,780</b>                 | –                       |
| Receipts in advance                                       | (f)          | <b>38,679</b>                  | 36,416                  |
|   |              | <b>1,491,895</b>               | 945,586                 |
| Contract liabilities – receipts in advance from customers | (g)          | <b>46,950</b>                  | 38,698                  |

### (a) Trade payables

|   | <i>Notes</i> | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Trade payables under the Gold Mining Operation        | (b)          | <b>190,495</b>                 | 127,214                 |
| Trade payables under the Financial Services Operation | (c)          | <b>3,199</b>                   | 2,352                   |
|   |              | <b>193,694</b>                 | 129,566                 |

### (b) Trade payables under the Gold Mining Operation

The aged analysis of trade payables under the Gold Mining Operation based on invoice date at the end of the reporting period is as follows:

|   | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Less than three months                        | <b>36,446</b>                  | 12,793                  |
| More than three months but less than one year | <b>48,813</b>                  | 18,074                  |
| More than one year                            | <b>105,236</b>                 | 96,347                  |
|   | <b>190,495</b>                 | 127,214                 |

**(c) Trade payables under the Financial Services Operation**

|   | <b>2020</b>     | 2019     |
|---|-----------------|----------|
|   | <b>HK\$'000</b> | HK\$'000 |
| Trade payables under securities brokerage business: |                 |          |
| – Cash clients ( <i>note (i)</i> )                  | <b>2,678</b>    | 2,352    |
| – Margin clients ( <i>note (ii)</i> )               | <b>521</b>      | –        |
|   | <b>3,199</b>    | 2,352    |

*Notes:*

- (i) The settlement terms of trade payables under securities brokerage business are two days after the trade date. Trade payables to cash clients also include those payables arose from clients' cash deposits (client trust bank balances) for securities brokerage transactions. No aged analysis is presented as management of the Company considered the aged analysis does not give additional value in view of the nature of these trade payables.
- (ii) Payables to margin clients are repayable on demand.

**(d) Deposits received on disposal of subsidiaries**

In January 2020, the Group and a third party entered into an agreement, under which the Group has agreed to dispose of and the third party has agreed to acquire 100% equity interests in certain subsidiaries for an aggregate consideration amounted to a maximum of HK\$23,100,000, of which deposits of approximately HK\$17,633,000 were received by the Group during the year. Completion of the disposal of these subsidiaries has not taken place up to the end of the reporting period and the date of approval of these consolidated financial statements.

**(e) Deposits received on capital injection of a subsidiary**

In February 2021, the Group and a third party entered into an agreement, under which the third party has agreed to make a capital injection of RMB240,000,000 to a subsidiary of the Company. Up to the end of the reporting period, capital injection totalled RMB100,000,000 (equivalent to approximately HK\$118,780,000) was received by the Group from the third party. Completion of the capital injection has not taken place up to the end of the reporting period and the date of approval of these consolidated financial statements.

**(f) Receipts in advance**

As at 31 December 2020 and 2019, the remaining balance of receipts in advance represents mainly government grants received in advance.

**(g) Contract liabilities**

The contract liabilities amounted to approximately HK\$46,950,000 (2019: HK\$38,698,000) are expected to be recognised as revenue within the next financial year.

## 12. CONVERTIBLE BONDS

|   | 2020   |  |                                  |
|---|--|--|----------------------------------|
|   | Liability<br>component<br><i>HK\$'000</i>          | Derivative<br>component<br><i>HK\$'000</i>           | Total<br><i>HK\$'000</i>         |
| 2021 Convertible Bond included in:  |  |  |                                  |
| – Current liabilities   | 289,982  | 26,612   | 316,594                          |
| – Non-current liabilities   | –  | –  | –                                |
|   | <b>289,982</b>                                     | <b>26,612</b>  | <b>316,594</b>                   |
|   |  |  |                                  |
|   | 2019   |  |                                  |
|   | Liability<br>component<br><i>HK\$'000</i>          | Derivative<br>component<br><i>HK\$'000</i>           | Total<br><i>HK\$'000</i>         |
| 2018 Convertible Bond included in:  |  |  |                                  |
| – Current liabilities   | –  | –  | –                                |
| – Non-current liabilities   | 272,391  | 55,802   | 328,193                          |
|   | <b>272,391</b>                                     | <b>55,802</b>  | <b>328,193</b>                   |
|   |  |  |                                  |
| <b>2018 Convertible Bonds</b>   | <b>Liability<br/>component<br/><i>HK\$'000</i></b> | <b>Derivatives<br/>component<br/><i>HK\$'000</i></b> | <b>Total<br/><i>HK\$'000</i></b> |
| At 1 January 2019   | 329,946  | 216  | 330,162                          |
| Interest expense charged to consolidated statement<br>of profit or loss ( <i>note 6(a)</i> )    | 14,331   | –  | 14,331                           |
| Interest paid   | (32,361)   | –  | (32,361)                         |
| Fair value gain ( <i>note 6(a)</i> )  | –  | (138)  | (138)                            |
| Extinguishment upon completion of the 2021<br>Convertible Bonds Restructure ( <i>note (i)</i> ) | (311,916)  | (78)   | (311,994)                        |
| At 31 December 2019 and 31 December 2020  | –  | –  | –                                |

| <b>2021 Convertible Bonds</b>  | <b>Liability<br/>component<br/>HK\$'000</b> | <b>Derivatives<br/>component<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--|---|---|---------------------------|
| At 4 August 2019 ( <i>note (i)</i> )   | 261,892                                     | 126,673                                       | 388,565                   |
| Conversion into shares   | (7,638)                                     | (3,531)                                       | (11,169)                  |
| Interest expense charged to consolidated statement<br>of profit or loss ( <i>note 6(a)</i> ) | 18,137                                      | –   | 18,137                    |
| Fair value gain ( <i>note 6(a)</i> )   | –   | (67,340)                                      | (67,340)                  |
|  | <u>272,391</u>                              | <u>55,802</u>                                 | <u>328,193</u>            |
| At 31 December 2019  | 272,391                                     | 55,802  | 328,193                   |
| Conversion into shares   | (488)                                       | (100)   | (588)                     |
| Interest paid  | (28,048)                                    | –   | (28,048)                  |
| Interest expense charged to consolidated statement<br>of profit or loss ( <i>note 6(a)</i> ) | 46,127                                      | –   | 46,127                    |
| Fair value gain ( <i>note 6(a)</i> )   | –   | (29,090)                                      | (29,090)                  |
|  | <u>46,127</u>                               | <u>(29,090)</u>                               | <u>46,127</u>             |
| At 31 December 2020  | <u>289,982</u>                              | <u>26,612</u>                                 | <u>316,594</u>            |

Notes:

(i) **Loss on the 2021 Convertible Bonds Restructure**

|  | <b>Carrying<br/>amount<br/>of the 2018<br/>Convertible<br/>Bonds<br/>HK\$'000</b> | <b>Cash paid<br/>for the<br/>2021<br/>Convertible<br/>Bonds<br/>Restructure<br/>(<i>Note (ii)</i>)<br/>HK\$'000</b> | <b>Fair value<br/>of the 2021<br/>Convertible<br/>Bonds<br/>HK\$'000</b> | <b>Loss on the<br/>2021<br/>Convertible<br/>Bonds<br/>Restructure<br/>HK\$'000</b> |
|--|---|---|--|--|
| Liability component and<br>derivatives component | <u>311,994</u>  | <u>2,077</u>  | <u>388,565</u>   | <u>(78,648)</u>  |

The loss on the 2021 Convertible Bonds Restructure amounted to HK\$78,648,000 was included in finance costs for the year ended 31 December 2019 (*note 6(a)*).

(ii) **Cash paid for the 2021 Convertible Bonds Restructure:**

|   | <b>HK\$'000</b> |
|---|-----------------|
| Transaction costs   | <u>2,077</u>    |
| Total cash outflow included in consolidated statement of cash flows | <u>2,077</u>    |

- (a) At 1 January 2019, the Group had outstanding convertible bonds issued by the Company in prior years (“2018 Convertible Bonds”) with principal amount of approximately HK\$312 million. The 2018 Convertible Bonds which carried interest 8% per annum and were unsecured, and entitled the bondholders to convert the bond to shares of the Company at revised conversion price of HK\$1.236 per share. The 2018 Convertible Bonds were listed on the Singapore Exchange Securities Trading Limited.

During the year ended 31 December 2019, the Company invited bondholders to consider amendment to the existing terms and conditions of the 2018 Convertible Bonds (the “2021 Convertible Bonds Restructure”). The key amendments to the existing terms and conditions of the 2018 Convertible Bonds under the 2021 Convertible Bonds Restructure include: (i) extension of the maturity of the Bonds whereby the Company will redeem each Bond at its outstanding principal amount together with accrued and unpaid interest thereon on 30 September 2021; (ii) reduction of the interest rate of the Bonds to 8.0% per annum which shall be payable (I) for the period from and including 4 August 2019 to but excluding 31 March 2020, in arrear on 31 March 2020; and (II) thereafter semi-annually in arrear on 31 March and 30 September each year; (iii) reduction in the conversion price to HK\$0.088; (iv) addition of the downward-only reset to the conversion price, whereby on each of 31 March 2020, 30 September 2020 and 31 March 2021, if the volume weighted average price during a period of 20 consecutive trading days immediately prior to such date is less than the conversion price prevailing on the last day of such period, the conversion price shall be reset to the average market price, subject to a minimum reset price equal to HK\$0.071 (subject to adjustments); and (v) addition of the partial redemption right (the “Put option”) which applies to all bondholders whereby the Company will, at the option of the bondholder, redeem such bondholder’s bonds on each of 31 March 2020, 30 September 2020, and 31 March 2021 at the principal amount which represents not more than 7.5%, 7.5% and 15%, respectively, of the then outstanding principal amount of the Bonds held by such bondholder (each a “Relevant Principal Amount”) together with accrued but unpaid interest thereon, provided that the redemption amount representing the Relevant Principal Amount payable by the Company on each put option date to each such bondholder must be in an authorized denomination (i.e. HK\$1,000,000 in nominal amount each of the bonds or integral multiples thereof).

The 2021 Convertible Bonds Restructure was approved by the bondholders at a bondholders’ meeting and by the shareholders at the Company’s special general meeting on 1 August 2019 and 27 August 2019 respectively. Details of the 2021 Convertible Bonds Restructure are set out in the Company’s circular dated 9 August 2019 and the Company’s announcements dated 10 July 2019, 1 August 2019 and 27 August 2019.



The amendments to the terms and conditions of the 2018 Convertible Bonds under the 2021 Convertible Bonds Restructure are considered to be substantial modification of terms and conditions of the 2018 Convertible Bonds. Accordingly, the 2018 Convertible Bonds have been accounted for as extinguishment and the 2021 Convertible Bonds have been recognised upon the completion of the 2021 Convertible Bonds Restructure deemed on 4 August 2019. The Group recognised a loss of the 2021 Convertible Bonds Restructure of HK\$78,648,000 for the prior year ended 31 December 2019. The Group recognised the liability component and derivatives of the 2021 Convertible Bonds on 4 August 2019 which were determined based on the valuations performed by an independent firm of professional valuers with recognised qualifications and experiences using average market interest rate for bonds with similar credit rating and industry and Binomial option pricing model, respectively. The effective interest rate of the liability component is 18% per annum. The derivatives of the 2021 Convertible Bonds include the option of the bondholders to convert the 2021 Convertible Bonds into the Company's ordinary shares and the put option of the bondholders to require the Company to redeem the 2021 Convertible Bonds.

During the year ended 31 December 2019, convertible bonds with an aggregate principal amount of HK\$8,694,524 were converted into 98,801,411 new ordinary shares of the Company of HK\$0.001 each (note 13(iii)) to the annual results announcement). The 2021 Convertible Bonds were listed on the Singapore Exchange Securities Trading Limited. At 31 December 2019, the outstanding principal amount of the 2021 Convertible Bonds was approximately HK\$303 million.

At 4 August 2019 and 31 December 2019, the fair values of derivatives of the 2021 Convertible Bonds were determined based on the valuation performed by an independent firm of professional valuers with recognised qualifications and experiences using Binomial option pricing model. The derivatives of the 2021 Convertible Bonds represent the option of the bondholders to convert the 2021 Convertible Bonds into the Company's ordinary shares, and the put option. Fair value gain on derivative financial instruments of the 2018 and 2021 Convertible Bonds totalled HK\$67,478,000 was recognised for the prior year ended 31 December 2019 (note 6(a)). The following assumptions are used to calculate the respective fair values of the derivatives:

|  | <b>At<br/>31 December<br/>2019</b> | At<br>4 August<br>2019 |
|--|------------------------------------|------------------------|
| Share price (HK\$)                                       | <b>0.049</b>                       | 0.068                  |
| Conversion price (HK\$)                                  | <b>0.088</b>                       | 0.088                  |
| Expected remaining life of the convertible bonds (years) | <b>1.75</b>                        | 2.16                   |
| Expected volatility (%)                                  | <b>82</b>                          | 83                     |
| Risk free rate (%)                                       | <b>1.75</b>                        | 1.67                   |
| Expected dividend yield (%)                              | <b>0</b>                           | 0                      |
| Discount rate (%)  | <b>16.53</b>                       | 16.45                  |

- (b) During the year ended 31 December 2020, convertible bonds with an aggregate principal amount of HK\$543,408 were converted into 6,175,088 new ordinary shares of the Company of HK\$0.001 each (note 13(iv) to the annual results announcement). At 31 December 2020, the outstanding principal amount of the convertible bonds was approximately HK\$303 million.

At 31 December 2020 and 31 December 2019, the fair values of derivatives of the 2021 Convertible Bonds were determined based on the valuation performed by an independent firm of professional valuers with recognised qualifications and experiences using Binomial option pricing model. The derivatives of the 2021 Convertible Bonds represent the option of the bondholders to convert the 2021 Convertible Bonds into the Company's ordinary shares and put options which the bondholders are entitled to request the Company to redeem certain amounts of the 2021 Convertible Bonds at specified dates in accordance to the terms of the 2021 Convertible Bonds. Fair value gain on derivative financial instruments of the 2021 Convertible Bonds of HK\$29,090,000 was recognised for the current year (note 6(a)). The following assumptions are used to calculate the respective fair values of the derivatives:

|  | <b>At<br/>31 December<br/>2020</b> |
|--|------------------------------------|
| Share price (HK\$)                                       | <b>0.52</b>                        |
| Conversion price (HK\$)                                  | <b>1.42</b>                        |
| Expected remaining life of the convertible bonds (years) | <b>0.75</b>                        |
| Expected volatility (%)                                  | <b>77</b>                          |
| Risk free rate (%)                                       | <b>0.06</b>                        |
| Expected dividend yield (%)                              | <b>0</b>                           |
| Discount rate (%)  | <b>11.42</b>                       |

- (c) During the year ended 31 December 2020, as the arithmetic average of the volume weighted average price of the shares for the last 20 consecutive trading days immediately prior to the relevant reset reference date of 31 March 2020 (being HK\$0.0443 per Share) is less than the prevailing conversion price (being HK\$0.088 per Share) and the reset floor price (being HK\$0.071 per Share), the conversion price has been adjusted to HK\$0.071 per Share, being the benchmark price, with effect from 31 March 2020.

As at 31 March 2020, the total outstanding principal amount of the convertible bonds is HK\$302,678,131. In the event that the convertible bonds are fully converted at the adjusted conversion price of HK\$0.071 per Share, an aggregate of 4,263,072,267 shares will be issued, representing approximately 71.75% of the total issued share capital of the Company as at 31 March 2020 and approximately 41.77% of the issued share capital of the Company as enlarged by the issue of the conversion shares.

Details of the change of conversion price of the convertible bond are set out in (i) the circular of the Company dated 9 August 2019 in relation to, among other things, the proposed amendment of Terms and Conditions and Trust Deed of the Bonds; and (ii) the announcement of the Company dated 27 August 2019 in relation to the poll results of the special general meeting and the effectiveness of the new proposal in relation to the Bonds and (iii) the announcement of the Company dated 31 March 2020 in relation of the reset of conversion price.

The conversion price of the 2021 Convertible Bonds was adjusted from HK\$0.071 to HK\$1.42 as a result of the Share Consolidation with effect from 10 August 2020, details of which set out in note 13 to the annual results announcement.

### 13. SHARE CAPITAL

|   | <i>Notes</i> | Number<br>of shares<br>'000 | <i>HK\$'000</i>     |
|---|--------------|-----------------------------|---------------------|
| <b>Authorised:</b>  |              |                             |                     |
| Ordinary shares of HK\$0.1 each at 1 January 2019   |              | 10,000,000                  | 1,000,000           |
| Change of share par value arising from 2019 Capital Reorganisation                            | <i>(i)</i>   | <u>–</u>                    | <u>(990,000)</u>    |
| Ordinary shares of HK\$0.001 each after 2019 Capital Reorganisation                           |              | 10,000,000                  | 10,000              |
| Increased during the year ended 31 December 2019  | <i>(ii)</i>  | <u>40,000,000</u>           | <u>40,000</u>       |
| Ordinary shares of HK\$0.001 each at 31 December 2019 and<br>1 January 2020                   |              | 50,000,000                  | 50,000              |
| Share consolidation and change of share par value arising from<br>2020 Capital Reorganisation |              | <u>(47,500,000)</u>         | <u>(47,500)</u>     |
| At 31 December 2020   |              | <u><u>2,500,000</u></u>     | <u><u>2,500</u></u> |
| <b>Issued and fully paid:</b>   |              |                             |                     |
| Ordinary shares of HK\$0.1 each at 1 January 2019   |              | 5,836,921                   | 583,692             |
| Change of share par value arising from 2019 Capital Reorganisation                            | <i>(i)</i>   | <u>–</u>                    | <u>(577,855)</u>    |
| Ordinary shares of HK\$0.001 each after 2019 Capital Reorganisation                           |              | 5,836,921                   | 5,837               |
| Ordinary shares of HK\$0.001 each issued upon conversion of<br>convertible bonds              | <i>(iii)</i> | <u>98,801</u>               | <u>99</u>           |
| Ordinary shares of HK\$0.001 each at 31 December 2019 and<br>1 January 2020                   |              | 5,935,722                   | 5,936               |
| Ordinary shares of HK\$0.001 each issued upon<br>conversion of convertible bonds              | <i>(iv)</i>  | <u>6,176</u>                | <u>6</u>            |
| Ordinary shares of HK\$0.001 each   |              | 5,941,898                   | 5,942               |
| Share consolidation and change of share par value<br>arising from 2020 Capital Reorganisation | <i>(vi)</i>  | <u>(5,644,803)</u>          | <u>(5,645)</u>      |
| Ordinary shares of HK\$0.001 each at 31 December 2020   |              | <u><u>297,095</u></u>       | <u><u>297</u></u>   |

- (i) Pursuant to a special resolution passed at the extraordinary meeting by the Company's shareholders on 27 February 2019, the Company has implemented the capital reorganisation ("2019 Capital Reorganisation") which comprises the following:
  - (a) the issued share capital of the Company was reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$0.099 on each of the issued existing shares such that the nominal value of each issued existing share was reduced from HK\$0.1 to HK\$0.001;
  - (b) immediately following the capital reduction taking effect, all the authorized but unissued share capital of the Company (which shall include the authorised but unissued share capital arising from the capital reduction) was cancelled in its entirety and forthwith upon such cancellation, the authorised share capital of the Company was increased to HK\$10,000,000 by the creation of such number of additional new shares as shall be sufficient to increase the authorised share capital of the Company to HK\$10,000,000 divided into 10,000 million new shares; and
  - (c) the credit arising in the books of the Company from the capital reduction was credited to the contributed surplus account of the Company. The 2019 Capital Reorganisation was completed on 28 February 2019 and a credit of approximately HK\$577,855,236 arisen from the capital reduction was transferred from the share capital account to the contributed surplus account of the Company. Details of the above are set out in the Company's circular dated 4 February 2019 and the Company's announcements dated 18 January 2019, 27 February 2019 and 28 February 2019.
- (ii) Pursuant to an ordinary resolution passed at the special general meeting by the Company's shareholders on 27 August 2019, the Company increased its authorised share capital from HK\$10,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.001 each to HK\$50,000,000 divided into 50,000,000,000 ordinary shares of HK\$0.001 each by the creation of 40,000,000,000 additional authorised but unissued shares. Details are set out in the Company's circular dated 9 August 2019 and the Company's announcements dated 10 July 2019 and 27 August 2019.
- (iii) During the year ended 31 December 2019, convertible bonds with an aggregate principal amount of HK\$8,694,524 were converted into 98,801,411 new ordinary shares of the Company of HK\$0.001 each (note 12(a)).

- (iv) On 15 January 2020, convertible bonds with an aggregate principal amount of HK\$543,408 were converted into 6,175,088 new ordinary shares of the Company of HK\$0.001 each (note 12(b)).
- (v) On 26 June 2019, the Group entered into the placing agreement with the placing agents to subscribe for a total of up to 1,167,380,000 placing shares at the placing price of HK\$0.071 per placing share (the "Placing"). On 19 July 2019, the Group and the placing agents have entered into a supplemental agreement to the placing agreement to extend the long stop date from 26 July 2019 to 9 August 2019.

On 9 August 2019, as certain conditions set out in the placing agreement have not been fulfilled on or before the long stop date, the placing lapsed on 9 August 2019 and the placing will not proceed. Details of the above are set out in the Company's announcements dated 26 June 2019, 19 July 2019 and 9 August 2019.

- (vi) On 29 June 2020, the Company proposed to implement the capital reorganisation ("2020 Capital Reorganisation") which comprised the following:
- (i) the share consolidation on the basis of every twenty (20) issued and unissued existing shares of par value HK\$0.001 each into one (1) Consolidated Share of par value HK\$0.02 each;
  - (ii) the capital reduction by way of a reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.019 on each of the issued Consolidated Shares so that the nominal value of each issued Consolidated Share will be reduced from HK\$0.02 to HK\$0.001; and
  - (iii) the share subdivision of each authorised but unissued Consolidated Share of HK\$0.02 (including those arising from the Capital Reduction) into twenty (20) adjusted shares of HK\$0.001 each.

The proposed 2020 Capital Reorganisation was approved in the special general meeting held on 6 August 2020. The Capital Reorganisation has become effective on 10 August 2020. The number of issued ordinary shares was reduced from approximately 5,941,898,000 to 297,095,000 upon the completion of the share consolidation. The consolidated shares rank pari passu in all respects with each other. A credit of approximately HK\$5,644,803 arisen from the capital reduction was transferred from the share capital account to the contributed surplus account of the Company. Details of the above are set out in the Company's circular dated 21 July 2020 and the Company's announcements dated 29 June 2020, 14 July 2020, 21 July 2020, 6 August 2020 and 10 August 2020.

#### 14. PLEDGE OF ASSETS

As at 31 December 2020, the Group's assets with the following carrying amounts were pledged to secure bank and other borrowings:

|  | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Intangible assets – mining rights          | 3,102,669               | 5,592,814               |
| Fixed assets                               | 751,139                 | 721,534                 |
| Investment in equity instruments at FVTOCI | 329,183                 | 293,964                 |
| Pledged deposits                           | 77,207                  | 106,286                 |
|  | <u>4,260,198</u>        | <u>6,714,598</u>        |

Except as disclosed above, as at 31 December 2020, all issued shares of two (2019: two) and 49% issued shares of two (2019: two) subsidiaries of the Company were subject to share charge as security pledged for the Group's bank and other borrowings.

## 15. EVENTS AFTER THE REPORTING PERIOD

The Group had the following significant events occurred subsequent to the end of the reporting period and up to the date of approval of these consolidated financial statements:

- (a) In January 2020, the Group and a third party entered into an agreement under which the third party has agreed to acquire 100% equity interests in certain subsidiaries of the Company, namely Hongkong Bay Asset Management Limited and Hongkong Bay Securities Limited for the aggregate consideration amounting to a maximum of HK\$23.1 million.

If the conditions have not been satisfied on or before the day falling 12 months after the date of the sales and purchase agreement (“**Long Stop Date**”), or such later date as the parties may agree, the agreement shall cease and determine and neither party shall have any obligations and liabilities towards each other save for any antecedent claims. Up to the date of approval of the consolidated financial statements, the conditions have not been fully satisfied.

On 22 January 2021, the Group and the Purchaser entered into a letter of confirmation extending the Long Stop Date to 22 January 2022. Save as amended as aforesaid, all other terms of the agreement remain unchanged and in full force and effect.

Details of the transactions are set out in the Company’s published announcement dated 23 January 2020 and 22 January 2021.

- (b) On 24 February 2021, an investor has entered into the an agreement (“Capital Injection Agreement”) with certain subsidiaries of the Company, namely Kong Chun Hong Kong Limited (“Kong Chun”), Zhuhai Munsun Asset Management Co., Ltd (“Zhuhai Munsun) and Luanchuan County Luanling Gold Mine Co., Ltd.(“Target Company”), pursuant to which the Investor has conditionally agreed to make the capital injection of RMB240,000,000 (equivalent to approximately HK\$288,048,000) into the Target Company.

A special general meeting (“SGM”) will be convened and held by the Company for the shareholders to consider and, if thought fit, approve, among other matters, the Capital Injection Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Capital Injection Agreement and the transactions contemplated thereunder; (ii) other information as required by the Listing Rules; and (iii) a notice convening the SGM and the proxy form in respect of the SGM, is expected to be despatched to the Shareholders on or before 30 April 2021, as further time is required to prepare the information to be contained in the circular and for the valuation on the equity interest of the Target Company.

Further announcement(s) will be made by the Company as soon as possible upon completion of the valuation on the equity interest of the Target Company and determination of the proportion of equity interest of the Target Company to be held by the Investor and the Company (through Kong Chun and Zhuhai Munsun).

## **EXTRACT OF INDEPENDENT AUDITOR' S REPORT**

The auditor will express an unqualified opinion in the independent auditor' s report, but will draw attention by adding material uncertainty related to going concern paragraph as follows:

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw attention to note 2 to the consolidated financial statements, that the Group incurred losses amounted to approximately HK\$2,907,475,000 and HK\$631,332,000 for the years ended 31 December 2020 and 2019 respectively, and the extent of net current liabilities of approximately HK\$2,434,847,000 as at 31 December 2020. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In light of all the measures and arrangements detailed in note 2 to the consolidated financial statements, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements. Our opinion is not modified in respect of this matter.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Revenue and Results**

During the year, the Group recorded loss from operations of HK\$2,567 million as compared with loss from operations of HK\$291 million last year. The increase in loss from operation are mainly due to a one-off loss on goodwill impairment of approximately HK\$7 million (2019: HK\$274 million), a one-off loss on mining rights impairment of approximately HK\$1,335 million (2019: HK\$nil), a one-off loss on fixed assets impairment of approximately HK\$934 million (2019: HK\$nil), a one-off loss on deposits paid for gold mining rights impairment of approximately HK\$146 million (2019: HK\$nil), a one-off loss on trade, loans and other receivables impairment of approximately HK\$169 million (2019: HK\$nil), a one-off loss on deposits paid for acquisition of fixed assets impairment of approximately HK\$63 million (2019: HK\$nil) and written-off of fixed assets of approximately HK\$31 million (2019: HK\$nil). However, the increase in loss from operation is partly offset by the decrease in administrative expenses and the increase in gross profit mentioned in the following paragraph in this section. Accordingly, the Group's loss after tax increased to HK\$2,907 million during the year as compared to HK\$631 million in the last year.

During the year, the Group's revenue increased by 40% to HK\$1,453 million (2019: HK\$1,040 million). The increase in revenue is mainly arisen from the increase in gold price, increase in trading of metals and minerals and the increase in the Group's gold production during the year. The gross profit margin of the Group increased to 17% during the year (2019: 16%) which is attributable to the increase in gold price. However, the increase in gross profit margin is eroded by the increase of revenue in trading of metals and minerals which has a lower gross profit margin than other operating segments, and the increase in the Group's production costs per unit. In addition, increased mining depth and complicated geologic structure in the mining site currently under production pushed production cost higher.

The Group's total comprehensive expenses increased by 273% to HK\$2,630 million during the year as compared to HK\$705 million last year. The increase in total comprehensive expenses is mainly attributable to the increase in loss after tax as mentioned above. However, the increase in total comprehensive expenses is eroded by an exchange gain (arisen from depreciation of exchange rate of RMB against HK\$) on translation of financial statements of PRC subsidiaries and associate of HK\$259 million during the year (2019: exchange loss of HK\$92 million).

Details of the segment information of the Group's revenue and results from its gold mining business, trading of metals and minerals and financial services business are set out in note 4 in this announcement.

During the year, the loss per share of the Company was HK\$9.79 (2019: HK\$2.16 (restated)). The loss per share last year has been adjusted to reflect the impact on the Capital Reorganisation (details are set out in note 13 in this announcement) of the Company which was effective on 10 August 2020.

### **Other Income and Other Gains**

The Group's other income increased by 100% to HK\$6 million during the year as compared to HK\$3 million last year. The increase in other income is mainly due to the Group recorded a waiver of other payables HK\$2 million (2019: HK\$nil) and government subsidies HK\$1 million (2019: HK\$nil) during the year.

During the year, the Group's other gains decreased from HK\$2 million in the last year to HK\$0.7 million during the year. The decrease is mainly attributable to the decrease in exchange gain to HK\$1 million (2019: HK\$2 million).

### **Selling and Distribution Costs**

During the year, the Group's selling and distribution costs increased to HK\$21 million (2019: HK\$11 million). The increase is mainly attributable to the increase in the Group's revenue.



## **Administrative Expenses**

During the year, the Group's administrative expenses were HK\$119 million (2019: HK\$183 million), representing a decrease by 35% as compared with last year.

## **Finance Costs**

During the year, the Group's finance costs were HK\$337 million (2019: HK\$366 million), representing a decrease by 8% as compared to last year. The decrease in finance costs is mainly due to a one-off loss on the 2021 Convertible Bonds Restructure of HK\$79 million recorded by the Group during last year, but, no relevant loss incurred during the current year. However, this is partly offset by the increase in total interest expenses on financial liabilities to HK\$368 million (2019: 356 million) and the decrease in non-cash fair value gain on derivative financial instruments relating to the convertible bonds from HK\$67 million in the last year to HK\$29 million during the year.

## **Deferred Tax Liabilities**

As at 31 December 2020, deferred tax liabilities amounted to HK\$591 million (2019: HK\$559 million), which represented mainly the estimated tax effect of the temporary differences arising from acquisitions of gold mines by the Group in previous years and were calculated at PRC income tax rate of 25% on the increase in fair value of mining rights. The deferred tax liability balance is subsequently reversed and credited to the consolidated statement of profit or loss as a result of tax effect of the amortisation of the mining rights. Such liabilities are accounted for in accordance with the accounting principle and therefore no cash payment is required.

## **Liquidity and Financial Resources**

At 31 December 2020, the Group's cash and bank balances (including pledged deposits) and net current liabilities were HK\$166 million (2019: HK\$175 million) and HK\$2,435 million (2019: HK\$2,527 million) respectively. The decrease in the Group's net current liabilities is mainly attributable to the decrease in bank and other borrowings under current liabilities of HK\$787 million at 31 December 2020 which was arisen from a reclassification of bank and other borrowings under current liabilities at 31 December 2019 to non-current liabilities at 31 December 2020. However, this is partly offset by the reclassification of convertible bonds of HK\$317 million from non-current liabilities to current liabilities at 31 December 2020 (details are set out in note 12 in this announcement). The Group's net assets decreased to HK\$4,401 million (2019: HK\$7,031 million).

The Group has met its needs of working capital and capital expenditure mainly through cash generated from operations, bank and other borrowings and equity financing. As at 31 December 2020, the Group's bank and other borrowings were repayable within one to three years and its fixed rate borrowings over total borrowings was 92%. There is no significant seasonality of the borrowings demand of the Group. The Company's directors are of the opinion that the Group will be able to finance its future working capital and financial requirements as further detailed in note 2 in this announcement.

The Group's cash and bank balances and bank and other borrowings are mainly denominated in Hong Kong Dollars and Renminbi.

## **CAPITAL STRUCTURE**

At 31 December 2020, the total number of issued ordinary shares of the Company was 297,094,903 shares, each of HK\$0.001 (the "**Shares**"). During the year, the Company has completed the reset of conversion price of the convertible bonds, refreshment of general mandate, and also the capital reorganisation as well as the change in board lot size. Further details are set out in note 13 of this announcement.

The Group from time to time reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. There were no changes in the Group's approach to capital management during the year.

At 31 December 2020, the Group's gearing ratio increased to 43% (2019: 32%). The Group monitors capital using a gearing ratio, which is calculated as the net debts divided by total equity plus net debts. The Group's net debts include bank and other borrowings and convertible bonds, less cash and bank balances and pledged deposits. The Group's total equity comprises total share capital and reserves of the Group.

## **PLEDGE OF ASSETS**

Details of pledge of assets of the Group are set out in note 14 of this announcement.

## **CONTINGENT LIABILITIES**

The Group has been served two claims commenced by two different independent parties. These claims are in relation to normal commercial activities of the Group. No material provision was made against these claims because the directors, having obtained legal advice, believe that the Group has meritorious defence against the plaintiffs of such claims. For details of the litigation which the Group is involved, please refer to the paragraph headed "LITIGATIONS" below.

Save as the above, the Group did not have other material contingent liabilities as at 31 December 2020.

## FOREIGN CURRENCY EXPOSURE

The Group's principal assets and liabilities are located in the PRC and are denominated in RMB which is the functional currency of the Group's subsidiaries in the PRC. The Group did not enter into any forward foreign exchange contracts to manage its foreign currency risk during the year as the directors considered that the Group's exposure to exchange rate risk could be managed.

## BUSINESS RISK

The Group is exposed to price risks arising from the market price fluctuations on gold products. To protect the Group from the impact of price fluctuations in gold products, the management closely monitors gold product price exposure and will consider to use derivative contracts should the need arises. The Group did not enter into any forward equity securities contracts to manage its equity securities price risk. The Group mitigates its price risk by performing detailed analysis of investments and dedicated professionals are assigned to oversee and monitor the performance of investments.

## SIGNIFICANT INVESTMENTS

At 31 December 2020, the Group had investments in equity instruments at fair value through other comprehensive income of HK\$329 million, representing 3% of the Group's total assets, which include mainly investment in an unlisted company in the PRC of HK\$317 million and investment in a private equity fund in the PRC of HK\$12 million.

Save as disclosed above, the Group did not have any other investments at 31 December 2020.

## LITIGATIONS

### (a) Writ issued by Chance Talent Management Limited against the Company in Hong Kong

On 18 May 2020, the Company received a Writ of Summons issued by Chance Talent Management Limited ("**Chance Talent**") claiming for, *inter alia*, a sum of HK\$247,337,000 and its corresponding interest.

Major allegations of Chance Talent as set out in the Statement of Claim are as follows:–

1. It is alleged that the Company entered into a loan agreement with Tai Ning Investment Holdings Limited ("**Tai Ning**"), a substantial shareholder of the Company. Pursuant to the purported loan agreement, Tai Ning agreed to make available to the Company a loan of up to HK\$248,000,000 ("**the Intercompany Loan**").

2. It is alleged that Tai Ning and Chance Talent entered into a note subscription agreement dated 8 March 2016 (“**Note Subscription Agreement**”) whereby Chance Talent subscribed for notes to be issued by Tai Ning for a consideration of HK\$248,000,000. Additionally, the Intercompany Loan was allegedly assigned to the Chance Talent. The Group was not a party to the above arrangements.
3. It is alleged that Chance Talent caused the remittance of a sum of HK\$247,337,000 as the drawdown of the Intercompany Loan.

On 13 August 2020, the Company filed its Defence to Chance Talent’s claim. The Company argues that, *inter alia*:–

1. The alleged loan agreement was signed or entered into without the authority of the Company. In any event, the Intercompany Loan was never drawn down and that the sum received from Chance Talent were consideration of a share subscription agreement between the Company and Tai Ning (the “**Tai Ning Share Subscription Agreement**”) dated 29 January 2016 whereby Tai Ning agreed to subscribe for the Group’s shares at a consideration of HK\$248,000,000. Shares were issued to Tai Ning after receipt of said consideration. On 23 March 2016, the Company issued and allotted 1,078,260,869 shares to Tai Ning.
2. The said share subscriptions of Tai Ning were well documented at the time. The Company published an announcement on 29 January 2016, held an Extraordinary General Meeting on 12 March 2016, published an Announcement on 30 March 2016 and made relevant disclosure in the 2016 annual report concerning the signing, the terms and the completion of the Tai Ning Share Subscription Agreement.
3. In contrast, there was no contemporaneous corporate record in support of the alleged Intercompany Loan.

On 15 December 2020, Chance Talent filed an Amended Statement of Claim which substantively amended the grounds of its original claim, with the amount of claim remained unchanged. Chance Talent alleges that, *inter alia*, although the Company is not a party to the Note Subscription Agreement, it has knowingly received the funds from Chance Talent and dishonestly assisted Tai Ning in breaching its fiduciary duties owed by Tai Ning to Chance Talent.

On 23 February 2021, the Company filed its Amended Defence denying all allegations advanced by Chance Talent in the Amended Statement of Claim and maintaining its original defence as set out above.

As at the date of this announcement, the case is still ongoing.

## **(b) Writ issued by Ms. Yan Nan against the Company in Hong Kong**

On 11 May 2020, the Company received a Writ of Summons indorsed with a Statement of Claim issued by Ms. Yan Nan (“**Ms. Yan**”) against the Company. Ms. Yan claims for immediate repayment of bond with a principal of HK\$5,000,000 (the “**Bond**”) and outstanding interest. Ms. Yan alleges that an event of default was triggered on the purported basis that the Company was unable to repay its debts.

On 17 August 2020, the Company filed its Defence.

Ms. Yan has yet to file its Reply to the Company’s Defence. As at the date of this announcement, the case is still ongoing.

No material provision was made against these claims because the directors, having obtained legal advice, believe that the Group has meritorious defence against the plaintiffs of the above claims.

The directors of the Company will update shareholders and the public on any material development of the Litigations by way of announcement if and when appropriate.

## **EMPLOYEES**

As at 31 December 2020, the Group employed approximately 750 (2019: 710) employees in the PRC and Hong Kong. All employees are remunerated according to their performance, experience and prevailing industry practices. Both on-the-job and professional training are provided. The Group provides retirement benefits in the form of Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Scheme Ordinance to its employees in Hong Kong. The Group provides defined contribution retirement benefit schemes organised by the relevant local government authorities in the PRC to its employees in the PRC.

## **EVENTS AFTER THE REPORTING PERIOD**

Details of the Group’s events after the reporting period are set out in note 15 in this results announcement.

## **GOLD MARKET OUTLOOK**

The COVID-2019 has profound impacts on the global economy as well as gold market throughout 2020. The coronavirus pandemic weaken the consumer demand of gold during 2020, culminating in a 14% decline in annual demand to 3,759.6 tonnes, the first sub-4,000 tonnes year since 2009 according to the research of the World Gold Council. It puts the seal on an 11-year low for annual 2020 gold demand.

On the other hand, sustained strong inflows into gold-backed Exchange Traded Funds (“gold ETFs”) over the first nine months of 2020 were fuelled largely by the continually outbreak and spreading of the coronavirus pandemic and decisive fiscal and monetary policy responses from global authorities. Gold ETFs holdings grew by 877.1 tonnes during 2020, reaching record year-end holdings of 3,751.5 tonnes.

Gold jewellery demand's resulting in a full-year total of 1,411.6 tonnes, 34% lower than in 2019. It dropped to its lowest annual level on record, decimated by the combination of the global pandemic with its resultant market lockdowns and record high gold prices at a time of economic slowdown. The technology sector saw gold usage decline 7% to 301.9 tonnes in 2020, but seeing marginal year-on-year growth to 84 tonnes in the year end of 2020. Central bank buying slowed sharply in 2020, particularly in the second half of the year. Annual central bank purchases came to 272.9 tonnes of which 86% was added in the first half of 2020. Although the consumer demand of jewellery and technology is kept pessimistically affecting by the global pandemic, the investment demand through gold ETFs remains strong.

Total annual gold supply of 4,633 tones was 4% lower year-on-year, the largest annual fall since 2013. The drop was largely explained by coronavirus-related disruptions to mine production. Gold mine production totalled 3,400.8 tonnes in 2020, representing 4% lower than 2019. With expectation that the interruptions to mine production from the pandemic to diminish further in 2021, the mine is forecast to increase output as the transition to underground operations progresses.

The gold price reached a historical high of US\$2,067.15 per oz during 2020. While the gold price subsequently consolidated below its intra-year high, it remained comfortably above US\$1,850 per oz for most in the third and fourth quarter, finishing the year at US\$1,887.60 per oz. Gold's price performance in the second half of 2020 seemed to be linked more to physical investment demand, either in the form of gold ETFs or bar and coins rather than through the more speculative futures market.

Along with the research and development and the use of the vaccines, the general market expects the economic recovery in 2021 with a rebound from the low. In addition to the potential positive impact to the gold price benefited from the economic recovery, there are other factors such as the currency policy of different countries, geopolitical factor, interest rate, inflation and risk-free sentiment, also make the influence towards the trend of gold price. In general, we are of the view that gold is still the important risk-free asset and optimistic to the investment value in gold and gold price in a long term.

## **PRODUCTION SAFETY AND ENVIRONMENTAL PROTECTION**

We operate in a responsible manner to ensure the health and safety of employees of our Group. We are committed to meeting applicable legal requirements and where possible seek to implement leading industry standards in our operations. We have established a dedicated safety and environment enhancement team that is responsible for the occupational health and safety of our mines and operations.

We are subject to various PRC laws and regulations with respect to the prevention and treatment of occupational diseases, the prevention of worksite accidents and the handling of industrial injuries. Production safety permits have been obtained for our mines.

We have adopted a comprehensive set of internal occupational health and safety policies for our mines. We conduct staff training, review internal safety procedures, carry out regular on-site safety inspections and continuously monitor the implementation of safety policies. Protective equipment and clothing are regularly provided to our mine personnel, and we regularly check proper usage of such equipment. In addition, each of our mines has been equipped with a real-time visual monitoring system to monitor mine operation and safety. We have also set up an inspection and detection system in the explosive warehouses in each of our mines to provide comprehensive protection to the usage and security of daily explosives.

We require our third-party contractors to possess requisite production safety licences and relevant qualifications for the work they contract from us and to undertake appropriate safety measures.

We have been in compliance with all relevant PRC laws and regulations regarding occupational health and safety in all material respects. We have not had any material accident involving death or personal injury at any of the mines operated by us.

In accordance with Rule 13.91 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”), the Company will publish an Environmental, Social and Governance (“**ESG**”) Report within three months after the publication of its annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

## **RELATIONSHIP WITH GOVERNMENT AND AWARDS**

The Group has been maintaining good relationships with the local governments where the mines are located.

In July 2012, the Group signed the cooperation framework agreement on mineral resources exploration and development with the local government of Yunnan Province. According to the agreement, with the local government’s strong support and assistance on exploration development and consolidation of gold resources, the Group will have the priority rights to access to the gold mining assets in the region. Moreover, the local government will provide support on infrastructure, including power, water and logistics.

In 2011, the Group also signed the similar framework agreement with the local government of Henan Province. According to the agreement, the local government will provide full support in terms of the Group’s consolidation of precious metal resource sector in the region. The Group is also subject to the subsidy policy tailored for foreign investment as well as the favourable policy for land acquisition and other approvals.

In November 2019, Luanling Mine was awarded the third place of “Jinding Cup” Quiz Game of Implementing Safety Production Ordinance of Luanchuan County in Henan Province issued by Safety Production Committee of Luanchuan County.

Luanling Mine has engaged Huixuli Technology Company to develop an information platform of safety management for Luanling Mine, of which all employees (including construction teams) are equipped with a personal user account, which significantly enhanced the safety operation skills and overall safety level of all employees by installing the information platform. The information platform was approved by experts organized by Luanchuan Security Production Superintend Management Bureau in August 2020. In September 2020, Luanling Mine has successfully passed the approval of provincial green mine of Henan Province, and categorized as the Countywide Green Mine Development Model Zone by Luanchuan County. After the safety integration of the secondary mining area in November, it has successfully passed the approval organized by Luoyang Security Production Superintend Management Bureau and renewed the safe production license of the secondary mining area. During the year, resource storage volume of production and exploration in Luanling Mine has passed the expert assessment organized by the Natural Resource Bureau of Henan Province. The filing of resource storage has been filed in the Provincial Office, to provide protection to the newly-registered mining license in 2021.

## **CORPORATE STRATEGY AND CORPORATE PROSPECT**

The Group focuses on its principal business, gold mining. As such, the Group's objective is to maintain its stable development in respect of mine exploration and reserve increase by means of strict implementation of existing mines exploration planning. More effort will be put on optimizing the construction of the major exploration projects and on the cost control in an environmentally friendly manner. Being one of the largest privately owned, China-based gold mining companies, the Group commits business strategy as to:(i) continue to expand production capacity at our existing mines, (ii) speed up construction work of the capacity expansion and improve the exploration efficiency, and (iii) continue to conduct further exploration projects in order to increase resources and upgrade reserves. As always, the Group will remain vigilant on costs and adopt a prudent approach in its growth strategies.

## **RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS**

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationships with each of its key stakeholders.



## **BUSINESS REVIEW**

### **Gold Mining Business**

The Group continues to pay attention to mine development and reserve converting exploration during the year. Total gold production was 2.4 tonnes (77 Koz) during the year, a 18% increase as compared to that in 2019.

#### **(i) *Henan Jinxing Gold Mine***

Henan Jinxing Mine is located approximately 6 km from the regional town of Baitu and approximately 110 km southwest of Luoyang City, Henan Province. It is the largest mine in terms of gold resources of the Group. It is an underground mine and consists of two areas, namely Jinxing area and Xiepojing area. The Group acquired Jinxing Mine in 2010. Ten vein groups have been identified within the mining area, with similar orientation, size and shape. The variation of overall continuity of the thickness and grade of the vein is also relatively consistent, which suggested good potential for further resources expansion. Jinxing Mine has received the environmental approval and safety approval for its new tailings yard and has started the construction work. It has Australasian code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“**JORC code**”) and its equivalent gold resources of 74.4 tonnes (2,391 Koz) with average grade of 4.6g/t. Gold production in 2020 was 0.5 tonnes (15 Koz), a decrease of 12% compared to that of 2019.

During the year of 2020, Jinxing Gold Mine has exploited Xingxingyin No. 1 Shaft for 494 metres, Houmushi No.2 Shaft for 560 metres and carried out shaft installation for 669 metres. In addition, Jinxing Gold Mine has also carried out the pit exploration and drivage for 480 metres, geophysical survey of 51 points, and 1:10,000 geological survey for 17 sq. km; 1:2,000 topographic mapping for 22 sq. km and 10 E grade control survey points during the year. Furthermore, Jinxing Gold Mine has also carried out the drilling construction for 13,800 metres.

#### **(ii) *Henan Luanling Gold Mine***

Luanling Mine is located in Luanchuan County, Henan Province, 40 km away from Jinxing Mine. It is composed of Northern underground mining site and Southern open-pit and underground mining site and is contained within a single mining licence with an area of 9 km<sup>2</sup>. The Group acquired the mine in 2010 and realised full scale production in 2012. It has JORC code gold resources of 59.0 tonnes (1,897 Koz) with average grade of 3.2g/t. Gold production in 2020 was 1.1 tonnes (36 Koz), an increase of 80% compared to that of 2019.

During 2020, Luanling Mine has constructed the green mine, including mining environmental restoration and land reclamation, completion of pads in the mine area, open slag pile left over from history, rack-cleaning of the Zhutoupo open mine pit, site formation, terrace renovation, masonry mortar and masonry retaining walls, building of concrete drainage ditches, soil covering, grass seeds sowing and plantation. In addition, under the requirements of green mine construction, signboards, clipboards, dashboards and word paints of different industrial areas, factories, mines were added in mine areas to demonstrate the slogans of our corporate culture. Furthermore, ecological renovation was carried out according to the requirement of the government of Luoyang City. Pits of 625, 735, 810, 838, 307, 301 and 308 have completed the land restoration works for temporary slag slopes. During the year, Luanling Gold Mine has renovated different industrial areas according to the requirements of national standards regarding the industrial areas, including planning and design, solidification and

repair after separation of industrial use and dormitory, added more signs, dashboards and slogans of promotion of environment and occupational health, plantation and flowering to create a better working environment. By the above-mentioned works, Luanling Gold Mine has passed the approval of green mine of Henan Province in September 2020 and nominated in the Provincial Green Mine List and included in the demonstration zone of provincial gold mine for green development.

During the year, Luanling Gold Mine has carried out the digging, it completed the re-exploration and drilling for 704.58 metres on the basis of drilling of 2019, further clarified the resource storage of mine area and set up the cornerstone for future production. Save for the abovementioned, Luanling Gold Mine has conducted safety rectification for secondary mining areas. By expansion of tunnels, addition of steel supports, resetting of pipelines and cables and optimization of a series of six major systems, the production systems of secondary mining areas were significantly improved. At last, Luanling Gold Mine has added the information platform according to the requirements of the management office of Henan Province. The addition of production information platform is mainly for prioritizing the safety management and investigation and governance of hidden dangers to enhance the safety management level of personnel on time in terms of safety management and governance.

### ***(iii) Yunnan Mojiang Gold Mine***

Mojiang Mine, is located in Mojiang County, Pu'er City, Yunnan Province, which is approximately 300 km southwest of the provincial capital – Kunming of Yunnan Province. It lies on the famous Mojiang-Jinping and Ailaoshan Fold Belt, implying favourable geology attributions. It has JORC code gold resources of 13.7 tonnes (441 Koz) with average grade of 1.4 g/t. Gold production in 2020 was 0.5 tonnes (17 Koz), a 29% decrease compared to that of 2019.

During 2020, the construction of Mojiang Mine includes renovation of gold room and warehouse and construction of workshops. In addition, Mojiang Mine focused on Line 90-96 surface oxide mineral resources and sulfide mineral for middle-to-deep areas, and commenced the production for exploration in mapping out areas in Line 56 mine, together with 7 holes designed by the Gold Force in 1982, total drilling footage of 1,812.07 metres, only two of which has discovered with minerals: minerals were discovered in 190 meters of hole length of 96ZK1 hole with 6.0 metres thick and average grade of 3.27 g/t. The estimated metal volume was 58.86 kg and 53ZK1 hole was 1.5 metres with average grade of 5.72 g/t. The estimated metal volume was 8.58 kg. The remaining five holes have only dug into the mineral layer in Devonian period with grade of below 1.0 g/t. The exploration for storage addition was immaterial.

### ***(iv) Yunnan Hengyi Gold Mine***

Hengyi Mine is located in Zhenyuan County, Yunnan Province. It is approximately 380 km southwest from Kunming. It holds two mining licenses, namely Shangzhai and Bianfushan.

Hengyi Mine is located between the Mojiang-Jinping Fold Belt and the Ailaoshan Fold Belt of the San Jiang Metamorphic Fold System. The San Jiang Metamorphic System is situated on the southwest margin of the Yangzi Platform and the northeast margin of the Simao Block between the Honghe and Amojiang Faults.

Since the Group's acquisition of Hengyi Mine in 2012, the Group has been working on ramping up its production capacity. Heap leaching has been practised for several years at the mine. It has JORC code gold resources of 51.0 tonnes (1,641 Koz) with an average grade of 2.7 g/t. Gold production in 2020 was 279 kg (9 Koz), a 136% increase compared to that of 2019.

**(v) Inner Mongolia Yongfeng Gold Mine**

Yongfeng Mine is an underground mine which was acquired by the Group in 2009. Yongfeng Mine consists of two mining areas, namely Lianhuashan mining area and Honghuagou mining area, which are further divided into seven sub-mining areas. Yongfeng Mine is located in the middle segment of the northern margin of the North China Plate, adjacent to the Inner Mongolia Fold Belt in the North. Seven mineralised veins were identified. The mineralised veins have similar characteristics with an average width between 1 and 1.5 metre and occur as gold-bearing quartz veins. It has resources of 16.1 tonnes (519 Koz) with an average grade of 9.5 g/t. The output of Yongfeng Mine in 2020 was 2 kg (0 Koz), a 75% decrease compared to that of 2019.

**Trading of metals and minerals**

The Group is involved in trading of metals and minerals in PRC and the revenue of this segment was approximately HK\$419,309,000 (2019: HK\$289,723,000).

**Financial Services Business**

During the year under review, the Group has maintained one investment fund under its management in the PRC.

**MERGERS AND ACQUISITIONS AND DISPOSAL**

On 23 January 2020, the Company and Shenzhen ZSY Asset Management Co., Ltd. entered into a share purchase agreement pursuant to which the Company has agreed to sell and Shenzhen ZSY Asset Management Co., Ltd. has agreed to purchase 100% of the issued shares of Hong Kong Bay Securities Limited and Hong Kong Bay Asset Management Limited at the consideration equivalent to the net assets value plus the premium in cash, subject to a maximum amount of HK\$23.1 million.

After completion of the share purchase agreement, the Company will cease to have any interest in Hong Kong Bay Securities Limited and Hong Kong Bay Asset Management Limited which will cease to be subsidiaries of the Company and their financial results and position will not be consolidated into the financial statements of the Company.

Since the conditions in share purchase agreement have not been fully satisfied on or before the day falling 12 months after the date of the share purchase agreement i.e. 22 January 2021 ("Long Stop Date"), the Company and the Purchaser entered into a letter of confirmation extending the Long Stop Date to 22 January 2022 on 22 January 2021.

Details of the above disposal are set out in the Company's announcements dated 23 January 2020, 14 February 2020 and 22 January 2021. As at the date of this announcement, the said disposal has not completed.

On 24 February 2021, Shanghai Junzhou Trading Co., Ltd. (“**Shanghai Junzhou**”) has entered into the Capital Injection Agreement (“**CIA**”) with Kong Chun Hong Kong Limited (“**Kong Chun**”), Zhuhai Munsun Asset Management Co., Ltd. (“**Zhuhai Munsun**”) and Luanchuan County Luanling Gold Mine Co., Ltd., (“**Luanling Gold Mine**”) pursuant to which Shanghai Junzhou has conditionally agreed to make the Capital Injection of RMB240,000,000 (equivalent to approximately HK\$288,048,000) into Luanling Gold Mine.

Following the Capital Injection, the total registered capital of Luanling Gold Mine will be increased from RMB102,050,000 to RMB342,050,000. Shanghai Junzhou and the Company (through Kong Chun and Zhuhai Munsun) will hold the equity interest in Luanling Gold Mine in such proportion as to be further determined among all abovementioned parties based on a valuation on the equity interest of Luanling Gold Mine to be conducted by an independent valuer and to be agreed by all abovementioned parties. Luanling Gold Mine will remain as an indirect non-wholly owned subsidiary of the Company following the Capital Injection.

A SGM will be convened and held by the Company for the Shareholders to consider and approve, among other matters, the CIA and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the CIA and the transactions contemplated thereunder; (ii) other information as required by the Listing Rules; and (iii) a notice convening the SGM and the proxy form in respect of the SGM, is expected to be despatched to the Shareholders on or before 30 April 2021. Detail of the above disposal is set out in the Company’s announcement dated 24 February 2021.

Save as disclosed above, there was no other significant major merger, acquisition or disposal by the Group during the reporting period and up to the date of this announcement.

## **AUDIT COMMITTEE**

The Company has established the Audit Committee comprising three Independent Non-Executive Directors as members with written terms of reference.

The Audit Committee has, together with the Directors and external independent auditors, reviewed the results announcement and the consolidated financial statements, accounting principles and practices adopted by the Company for the year ended 31 December 2020.

## **SCOPE OF WORK OF AUDITORS**

The figures in respect of the announcement of the Group’s consolidated statement of profit or loss, consolidated statement of other comprehensive income for the year ended 31 December 2020 and consolidated statement of financial position as at 31 December 2020 and the related notes as set out in the preliminary announcement of the Group’s results have been agreed by the Group’s auditors, CCTH CPA Limited (“**CCTH**”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by CCTH in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by CCTH on the preliminary announcement.

## **CORPORATE GOVERNANCE**

The Company complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2020 except for the deviation which is summarized below:

### **Code Provision A.2.1**

Under provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual.

Although Mr. Yi Shuhao is currently the Chairman of the Board and the Chief Executive Officer of the Company, the Board considers that vesting both of the roles of Chairman and Chief Executive Officer in Mr. Yi is beneficial to the business prospects and management of the Group as Mr. Yi has in-depth experience in business management and development and can lead the Group to have continuous growth in the future. The Company had considered the governance issue of balance of power and authority on the board and believed that the structure of the Company (including strong independent elements in the board and delegation of authorities to management) was sufficient to address this potential issue.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed their full compliance with the required standard as set out in the Model Code during the year ended 31 December 2020.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY**

The annual report for the year ended 31 December 2020 containing all the information required Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board  
**Bay Area Gold Group Limited**  
**Yi Shuhao**  
*Chairman*

Hong Kong, 30 March 2021

*As at the date of this announcement, the Executive Directors of the Company are Mr. Yi Shuhao, Mr. Chen Sheng, Mr. Zhang Lirui, Mr. Wang Baozhi and Mr. Huang Zhiwei; the Non-Executive Director of the Company is Mr. Hsu Jing-Sheng; and the Independent Non-Executive Directors of the Company are Ms. Wong Chi Yan, Professor Xiao Rong Ge and Professor Zhang Tianyu.*